Banking

8 of 1903

Sl. No. 1-4

G. R. S. 58

Previous references.

B. mayo 6 S/1 + B. B. 09
Rev Comm 1908 S 586 & 1909
" " 1909 S 586

File No. 8—01

1908-9

(Banking)

Serial Nos. 1—4

Later references.

Rev Comm 1909 S 586. Same file
B Sept 1909 S/4. B. 3 09

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 1—4

Part B. for January 1909

SUBJECT.

~~Declining~~ permission ~~to~~ the Agricultural Bank at Hongenahalli in the Malur Taluk to utilise a portion of its small reserve fund granting loans to members.

---

1) From the Revenue Commr no. 1785 9 6/2
Reports that he has permitted the above Bank to utilise a portion of its reserve fund for granting loans to members.

4) To the Revs. Commr no. H 10 27 9 26.8.08
Requests to obtain & forward information as to the extent of loans raised by the said Bank (Other than Govt loan) & the amount disbursed by ~~Rs. 8,000—7-1-09~~ it loans to members.

3) From the Revs Commr no. 643 9 28/9 08
Furnishes the information called for

4) To the Revd Comm - on the Inspection of Mf Banks
No. H. 3247 & 26.1.09
Recor No. letter with certain Observations

G.R.S. 11]

190 8.-9

GENERAL AND REVENUE SECRETARIAT.

(Banking)

NOTES.

File No. 8

FILE HEADING.

Agricultural Bank at Hongunhalli
Anantapur Dt

From The Rev Commr

No. 1785 Dated 6-8-08 Received 8-8-08

Diary No. 541	Enclos. 2	Spare Copies.	Serial No. 1

BRIEF ABSTRACT OF LETTER.

Reports that he has permitted the above Bank to utilize a portion of its reserve fund for granting loans to members.

NOTES AND ORDERS.

This procedure is clearly against art 56 of the Articles of Assocn as have been pointed out times without number to many Agrl Banks. This very Bank has

NOTES—First sheet.

GPB—30,000—20-8-08

Serial No.

been [illegible] ordered in H 7614-5-8 10-5-06 to withdraw immediately the loans given out of the Reserve Fund — which it is further stated must be utilized only for the purposes contemplated in section 56 of the Articles of Association.

The Com[illegible] commr it is believed had no authorisation to sanction the course he has adopted. It is only his liberal interpretation of art 56 that made him approve of the recommendation of the Inspector of Agrl Banks to permit the Bank to operate on their reserve for granting loans.

Vide flags S & T

This Bank is an ancient defaulter in this very matter. Repeated warnings seemed to have had no effect & the present appeal to the Inspector to sanction their procedure is an attempt

GPB—50.000—13-5-08

Serial No.

to legalise ~~their~~ unwarranted
Borrowings. ~~Deposits~~ and
This is one of the only few
Banks whose affairs are in
a satisfactory working
Condition
Submitted for orders
Asst
13.8.08.
Submitted with the Madras reports called for
Asst 13/8/08
Asst 14/8.

It seems to be an accepted principle not to employ the reserve fund in the ordinary business Agricultural Banks. It is on their borrowed Capital Credit of loans and deposits that Agricultural Banks should work and if they can not supply themselves with adequate Capital from these two sources, such inability indicates that their credit is low and it seems unsafe to permit the diversion of the reserve for making loans. The object of a general reserve is to meet unforeseen losses and to serve as a guarantee for loans & deposits and to investmen

GPB—50.000—18-5-08

Serial No.

should therefore be perfectly sound. It is by no means a sound investment to allow the reserve to be locked up in loans to members. The amount of the reserve can be kept in the Govt Savings Bank or in the Mysore or Govt of India paper but should not on any account be pledged as security for borrowing or employed in making loans.

Article 56 of the Articles of Association does not appear to permit of the employment of the reserve in making loans. In the event of such a step being found necessary, the reserve may be used for reducing the Bank's liability but should not be diverted for any other purpose.

The Reg Commr however considers that the employment of the reserve

GPB—50,000—17-3-07

Serial No.

in making loans is not contrary to Article 56 and has accordingly authorised the Bank to utilise Rs 1000 out of the Reserve for making loans.

Yours &c.

(Sd.) Gene Seth

I have some difficulty in accepting the interpretation of the rules offered by the Asstt. Secy. Every Bank naturally requires a certain amount of money in order to carry on its business; and this amount is to be raised by means of loans and from deposits received from the members or others (Article 37). What article 56 says is that the Reserve Fund (after meeting any unforeseen losses) "shall go towards the reduction of the loans and deposits required for carrying on the business of the Bank." These words can in my opinion, have only one

NOTE—Contn sheet.

GPB—30,000—17-3-07

Serial No.

meaning. And that is that the reserve fund may (& in fact shall) be drawn upon to supply the whole or any portion of the fund required for carrying on business, the amount of loans raised and deposits received being pro tanto reduced. In other words, where the reserve fund has grown to such an extent that the capital required for the Bank's business (which is money-lending) need not altogether be raised from loans and deposits, but may be made up or supplemented by additions from the reserve, this shall be done.

On principle too I see no object in increasing the reserve fund beyond a certain limit — such limit being to a great extent dependant upon the extent of the Bank's transactions and liabilities (which are among the chief factors in the causation of "unforeseen losses," to meet which the reserve is primarily intended). The maximum reserve should therefore have some reference

Note—Contn sheet.

GPB—50,000—17-3-07

Serial No.

by the
to the amount raised by means of loans and deposits and to the amount laid out in loans to members and any surplus may well be utilised for the regular operations of the Bank, instead of being locked up.

Before I can say in the present case whether it will be advisable to draw upon the accumulated reserve, I wish to have information as to the extent of loans raised by the Bank (other than the Govt loan) and the amount disbursed by it in loans to members. Please get this info[illegible], if it is not already available.

24-8-08

Mr. & Mr.

The latest inspection report available in the office is one dated Septr. & this cannot supply the accurate & up-to-date information called for by the Secy. Draft calling for the information submitted

24.8.

Issue wire 24.8.

GPB—50,00017—3·07

Serial No.	
2	To the Rev Commr No H 1027 dd 26-8-08 Requests to obtain & furnish information as to the extent of loans raised by the Land Bank (other than the York loan) & the amount disbursed by it in loans to members.
3	From the Rev Commr No 643 dd 28-9-08 Forwards statement secured from the Inspector Agrl Banks & adds that the deposits in the Bank & the credit of members as it stood 31st Dec 07 amounted to £2203-1-9 & the loans repayable by members to the Bank amounted to £5731 Rs on the same date

Submitted
29.9
[illegible]
N.
Genl Secy

[illegible]
5/10/08

NOTE—Contn. sheet.

GPB—50.000—18-5-08

Office

27. 10. 08

My dear Ramgoolam Jeerjee,

To save space, time & energy, I have ventured to return your letter of 22nd inst with answers to the queries noted hereunder. The figures are taken from the Balance Sheet of the Bank for the half-year ended 30th June 1908. I do, they will satisfy

Q(1).-

outstandings against members — Rs 8,663-12-0, Rs 176-6

Q(2) Govt loan which was due from (a) the Bank on the above date, and which might be presumed to have gone to make up the above outstandings — Rs 6000

(b) Deposits due to members & non-members nil — + Interest due on those Deposits (?) — Rs 2182-6-9

(c) Reserve Fund (placed on Savings Bank) Rs. 1,650

If you wish further let me know & any further

Mfg a I shall write to the Bank Clerk
and ascertain

Yours Sincerely
Edmund Davis

My

These questions of admitting the T. A. title of the Respitian in connection with his Simla trick this year must have by this time been sent on by the Rev Comm in Govt orders Would you kindly mind the trouble to ascertain in what stage the matter and informing me of it

E

Ref N

Serial No.

From the figures available in the office of the Inspector of Agl Banks the total amount outstanding against members at the end of June, amounted to Rs 8662-12-0 This was evidently made up of the following items

Govt loan — £6000-0-0
Deposits — 2182-0-0
From the Reserve fund 450-0-0
8632-0-0

Thus nearly making up the total outstanding as mentioned above

Reserve 210-0-0
Govt loan 1650-0-0
450-0-0

Put
28.11.
mk

From the particulars noted above it will be seen that the Bank has been able to attract a deposit of Rs 2182 and has not rendered any loan to supplement its resources, whether the deposits are at Call or are repayable only after the lapse of any interval: If the whole

J Rwood

NOTE—Contn. sheet.

GPB—50,000—17-3-07

Serial No.

or any portion of the deposits is at call, the Bank ought to hold some amount to meet demands on account of withdrawals.

For guaranteeing the repayment of the Savings Bank deposits we have undertaken to hold one-half of the deposits as a reserve in cash or in securities easily convertible into cash. In case the deposits of the Honiganhalli Bank are repayable at call, it is necessary for the Bank to maintain a reserve for guaranteeing their withdrawal & the only funds it has is the general reserve which it is now proposed to lay out in loans to members & this arrangement will probably discourage deposits & loans on which a good bank should depend for carrying on its business.

Genl Secy)

28 10-8

Note:- Contn sheet.

GPB-50,00017-3-07

Serial No.

In the particular circumstances of this Bank it seems to me inadvisable that the reserve of Rs 2100 which amounts only to Rs 2100) should be trenched upon to any considerable extent for giving loans to members. A portion of it has, as pointed out by the Audit Dept, to be held as a reserve for guaranteeing withdrawals of deposits by members, which amount to Rs 2152, when there is the first loan of Rs 6000 to be repaid. and the reserve of Rs 2000 odd is not much more than is sufficient, having regard to the credit of the Bank's loans & advances & liabilities.

With the remarks as above the Rev Commr's opinion of 3rd Aug 1908 may be recorded— (Please submit draft letter for appl) H Erskine

Draft submd
4.11
Dewan

Please send 5/11.8
explaining the
circumstances
H Williams

10802
7.11.08

Draft approved by Dewan
for
4-11-08

Note—Contn. sheet.

GPB—50.000—18-5-082

Serial No. 2

To the Rev Commr
& the Inspector of Agrl
Banks.
No H 3247 dt 26-1-09
Records the letter with
certain observations

GPB—50.000—13-5-08

No. 1183 Ag. 2

OFFICE OF THE REV. COMR. IN MYSORE,

Bangalore, Dated the 3rd August 1908

FROM

A. RANGASWAMI IYENGAR ESQ., B. A., B. L.

Revenue Commissioner in Mysore.

To

The Secretary to the Government of His Highness
the Maharaja of Mysore,
General and Revenue *Departments.*

SIR,

I have the honor to submit herewith a copy of this Office Memorandum No. 1784 dated 3rd August 1908 approving the recommendation made by the Inspector of Agricultural Banks, in his letter No.89/A.B.9 dated the 29th July 1908, that permission may be granted to the Agricultural Bank at Hongenahalli, in the Malur Taluk, to utilise a portion of its reserve fund for granting loans to members and to state as follows:-

2. As observed by the Inspector in his letter(copy herein enclosed) the Bank's funds are being reduced with each instalment of Government loan recovered, and the utilisation of a portion of the reserve fund for the banking transactions will go some way towards making up for this growing deficiency in the Bank's funds, and will further be a much more profitable investment than deposit in the Savings Bank. Such a course does not, I believe, contravene para 56 of the Articles of Association which lays down that" the surplus shall form a Reserve fund which shall not be divisible among the members but shall, after meeting unforeseen losses, if any, go towards the reduction of the loans and deposits required for carrying on the business of the Bank "

I have the honor to be

Sir,

Your most obedient servant

Rangaswami

0541

Rev. Comr
Form 12.

190

From 11/4/'7

A. RUNGASWAMI IYENGAR, Esq., B.A., B.L.,

Revenue Commissioner,

in Mysore.

To

The Secretary to the Government of
H. H. the Maharaja of Mysore,
Department.

Dated 3 } August 1908.
Despatched 6 "

Received

No. 1785

Enclosure No. 2

reporting that he has permitted the Agricultural Bank at Hongenahalli in the Malur Taluk to utilise a portion of its reserve fund for granting loans to members

Young & Co., Printers, Bangalore, 2,000—25-11-07.

Enc 2

Copy of letter No. 89 dated 29th July 1908 from the A.B.-9 Registrar of Co-operative Societies i Mysore to the Revenue Commissioner in Mysore.

I have the honor to inform you that the Agricultural Bank at Hongenahalli in the Malur Taluk has been punctually paying the instalments due to Government, and there is now only a balance of ₹ 6,000/- to be repaid. A reserve fund of about ~~XX~~ ₹ 2,100/- has been accumulated, of which ₹ 1,650/- has been deposited in the Savings Bank. The Agent now reports that as the Government loan has been reduced from ₹ 15,000/- to ₹ 6,000/-, the capital of the Bank has undergone considerable reduction, and that with all the efforts made, the Bank has only been able to attract deposits to the extent of Rs. 2,182/-, and that in these circumstances as more capital is very much needed, permission is sought to utilize the accumulated reserve-fund for granting loans to members. From enquiries made by me, I have found that there is much truth in what the Bank authorities have reported, and I am of opinion that permission may be granted for utilizing ₹ 1000/- out of the Reserve~~xxxxx~~ for current transactions. If you agree with me in this opinion, I beg that you will be good enough to communicate your approval of my suggestion so that I may authorize the Bank authorities to operate upon the Reserve.

K Subbarao

For Revenue Commissioner

H.S.

Tein

Encl. No. 2 3

Office of the Revenue Commissioner in Mysore.

No. 1784, Dated, Bangalore, the 3rd/6th August 1908

O F F I C I A L M E M O R A N D U M.

Subject:-

Letter No. 89/A.B.9 dated the 29th July 1908 from the Inspector of Agricultural Banks recommending that the Agricultural Bank at Hongenahalli in the Malur Taluk may be permitted to utilise, for investment by way of loans to be granted to members a sum of ₹1000/- out of the reserve fund now deposited in the Savings Bank.

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The Inspector's recommendation is approved, and the Bank authorities may be informed accordingly.

Sd./ K. Subba Rao.
For Revenue Commissioner.

To

The Inspector of Agricultural Banks
in Mysore.

H.S.

" C O P Y "

For Revenue Commissioner.

G.R.S. 26]

File No. 8

Serial No 2

Diary No. of letter replied to 571

No. H 1027

26-8-08

General and Rev. Secretariat
(Bangalore
, *the* 190

To

The Dist Commr

Date of issue 26-8-08

Signed by M Mackenzie

Sir,

Adverting to your letter No 1785-D 16-8-08 re the Agricultural Bank at Honnihalli I am directed to request you to be so good as to ascertain and ~~furnish~~ ~~for the~~ information ~~of~~ ~~Govt~~ as to the extent of the loans raised by the said Bank (other than the Govt loan) & the amount disbursed by it in loans to members.

I have the

2nd 8 for Secy

over.

SUBJECT.

D 1125 - (3) B 8-08 5

No. C. 43 / Ex 1

Office of the Revenue Commissioner in Mysore,

Camp Mysore, 27th / 28 September 1908.

From,

A. Rangaswami Iyengar Esq.,B.A.,B.L.,

Revenue Commissioner in Mysore.

To,

The Secretary to the Government of

His Highness the Maharaja of Mysore,

General and Revenue Departments.

Sir,

With reference to your letter No.Fl.1027/B.8-08 dated 26th August 1908, calling for information as to the extent of loans (other than Government) raised by the Agricultural Bank at Hongenahalli &c.,I have the honor to forward herewith, in original,the statement received from the Inspector of Agricultural Banks showing the amounts deposited by the members and the amounts issued to members as loans from 1896-97 to 1907-1908 and to add that the deposits in the Bank to the credit of members amounted on 31st December 1907 to Rs.2,285-1-9 and the loans repayable by the members to the Bank amounted to Rs.9,531 on the same date.

I have the honor to be,

Sir,

Your most obedient servant,

K Subba Rao

For Revenue Commissioner.

S C B

Statement showing the loans other than Government loans received and disbursed by the Hongenahalli Agricultural Bank in the Malur Taluk from the Commencement, including deposi

Year	Loans other than Government loans	Deposits received from members and others	Total	Loans issued to Members	Remarks
1896-97		65 . .	65 . .	10, 580 .	
1897-98		2,631 13 11	2,631 13 11	14, 568 8 .	
1898-99		997 10 3	997 10 3	10, 414 12 .	
1899-1900		870 5 3	870 5 3	7, 412 12 .	
1900-01		2,082 15 7	2,082 15 7	9, 693 8 .	
1901-02		964 14 6	964 14 6	7, 600 4 .	
1902-03		1,148 8 1	1,148 8 1	6, 739 12 .	
1903-04		1,310 11 1	1,310 11 1	7, 290 4 .	
1904-05		1,480 9 2	1,480 9 2	5, 668 8 .	
1905-06		1,270 8 2	1,270 8 2	4, 406 8 .	
1906-07		1,394 2 10	1,394 2 10	2, 397 . .	
1907-08		1,691 12 5	1,691 12 5	4. 301 8 .	
		15, 908 15 3 .	15, 908 15 3	91, 073 4 .	

Copy

M. Shamma Rao.

R. S. [illegible]

G.R.S. 28]

Fair draft

7

File No. 87

Serial No. 4

Diary No. of letter replied to 571 / 1125

Proceedings of the Government of His Highness the Maharaja of Mysore.

GENERAL AND REVENUE SECRETARIAT.

(Banking

the 190

Date of issue

Signed by

READ—

Letter No 1785-87 3-8-08 from the Commr in Mysore Submitting a copy of his office memorandum No 1784 § 3-8-08

ORDER THEREON—No. regarding the utilization of its reserve by the Agrl Bank for Hongenhalli & stating that the Bank's funds are being reduced with each withdrawal of the loans recovered, that the Govt

over

SUBJECT

employment of a portion
of the reserve fund for
the banking transac-
actions will go some way
towards making up
for the growing defi-
ciency in the Bank's
funds & will further
be a much more
profitable investment
than deposit in the
Savings Bank & that
such a course does not
seem to contravene
para 5 of the Articles
of Association

order thereon — H 3247
B 8-08-4
R 26-1-09

In the particular
circumstances of this
Bank it seems in-
advisable that its
reserve (which amounts
to only to 2100 Rs) should
be trenched upon to any
considerable extent

G.R.S. 27]

GENERAL AND REVENUE SECRETARIAT.

(*Continuation Sheet draft form.*)

for saving [illegible]
members. A portion
of it has to be held
as a reserve for
guaranteeing withdraw-
als of deposits by
members which amount
to Rs 2182 & then there
is the Govt loan of
As 6000 to be repaid
The reserve of Rs 2100
is not much more
than is sufficient for
the above purpose;
having regard to the
Bank's transactions
& liabilities
With these remarks
the above letter is
recorded.

24/1/09

W
Secretary

To be printed To

The Hon. Commissioner
The Deputy Collector
Mr. B.C.L. Bank

MGCPB—30,000—5-4-05.

Proceedings of the Government of His Highness the Maharaja of Mysore, Financial (Banking), dated 26th January 1909.

READ—

Letter No. 1785, dated the 3rd August 1908, from the Revenue Commissioner in Mysore, submitting a copy of his office memorandum No. 1784, dated the 3rd August 1908, regarding the utilization of its reserve by the Agricultural Bank at Hongenhalli and stating that the Bank's funds are being reduced with each instalment of the loan recovered, that the employment of a portion of the reserve fund for the banking transactions will go some way towards making up for this growing deficiency in the Bank's funds and will further be a much more profitable investment than deposit in the Savings Bank and that such a course does not seem to contravene para 5 of the articles of Association.

No. FL. 3247— B. 8-08-4, DATED BANGALORE, 26TH JANUARY 1909.

ORDER THEREON:—In the particular circumstances of this Bank it seems inadvisable that its reserve (which amounts only to Rs. 2,100) should be trenched upon to any considerable extent for giving loans to members. A portion of it has to be held as a reserve for guaranteeing withdrawals of deposits by members which amount to Rs. 2,182 and then there is the Government loan of Rs. 6,000 to be repaid. The reserve of Rs. 2,100 is not much more than is sufficient for the above purpose, having regard to the Bank's transactions and liabilities.

With these remarks the above letter is recorded.

K. S. CHANDRASEKHARA AIYAR,
Secy. to Govt., Gen. & Rev. Depts.

To—The Inspector of Agricultural Banks.

Exd.—C. S.

1908-09

GOVERNMENT OF HIS HIGHNESS
THE MAHARAJA OF MYSORE

FINANCIAL (BANKING)

PROCEEDINGS

Dated 26th January 1909

No. Fl. 3247
B. 8-08-4

Observing that it is inadvisable to trench to any considerable extent on the reserve fund of the Agricultural Bank at Hongenhalli for banking transactions.